

PUB 6.0**(RE: p. 20 & 21 of 82) Replacement and Spare Substation Equipment (\$1,107,000)****PUB 6.3**

Q. For each year from 1996 to 2001 show the year-end inventory balance of the value of spare and replacement substation equipment. For each year from 1996 to 2001 show the annual amount that was written off to account for obsolete replacement and spare substation equipment.

A. The Company's code of accounts contains an account titled "Substation Equipment". The net book value of this account as of December 31, 2001 was approximately \$60.0 million. This account includes the cost of a variety of substation equipment, including items as diverse as concrete foundations, switchboards, transformers, switches, relays, reclosers, breakers, etc. Within this account, for the most part, each item of equipment is specifically assigned to one of the Company's 137 substations. The balance in this account, which has not been assigned to a specific substation, represents spare and replacement substation equipment.

Spare and replacement substation equipment is used to facilitate emergency repairs should equipment in a substation malfunction or is damaged and, to replace equipment that must be removed from service in order to perform regular maintenance. The Company's stock of spare and replacement substation equipment is comprised of items purchased annually to be used as spare equipment, as well as malfunctioning or damaged equipment that has been removed from service and subsequently assessed and deemed repairable. These items serve as a reserve of spare and replacement substation equipment.

When equipment in a substation malfunctions, the spare equipment is used to restore or maintain service. The malfunctioning equipment is removed from the substation, and an item from the reserve is put in its place. The malfunctioning equipment is assessed, and when it potentially can be repaired, has some service life remaining, or if its component parts have some value, it is moved into reserve status. If it is not re-useable it is retired directly from the specific substation account.

As part of ongoing operations, equipment must be replaced in a substation to accommodate increased loads. The equipment being replaced may still be functional and is retained for future use or assigned to another substation. The value of such equipment is reflected in the Substation Equipment Account.

The table on the following page lists the year-end book value of equipment in the Substation Equipment Account that had not been specifically assigned to a particular substation.

Year	Account Balance (\$000s)
1996	3,825
1997	4,176
1998	4,300
1999	4,622
2000	4,965
2001	4,810

In a 2002 review of substation accounts, it became apparent that the movement of spare equipment from reserve status into appropriate substation accounts had not been properly reflected in the Company's records. The Company is currently in the process of identifying this activity and adjusting its records accordingly. The total Substation Equipment plant records are not affected; only the classification among specific substation equipment sub-accounts was affected. To date, in 2002, the value of the reserve of spare and replacement substation equipment portion of the account has been reduced to \$3.730 million.

As noted above, disposal of equipment normally occurs from a specific substation. From time to time, when reserve equipment is determined to be no longer necessary, it is retired directly from reserve status. The specific reason for the disposal is not noted in the Company's records. Listed in the following table are the book values of equipment that have been disposed of during the years 1996 to 2001.

Year	Value of Equipment Disposed (\$000s)
1996	-
1997	32
1998	4
1999	-
2000	289
2001	-